

## Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00  
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AMCONSUL MEDAN  
AMCONSUL SURABAYA  
AMEMBASSY VIENNA  
AMCONSUL HONG KONG

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E.O. 11652: GDS  
TAGS: ENRG, ID, OPEC  
SUBJECT: INDONESIAN CRUDE PRODUCTION AND EXPORTS

REF: JAKARTA 1387

1. SUMMARY: GOI CRUDE PRODUCTION AND RESULTING EXPORTS CONTINUE AT RECORD LEVELS. MINES MINISTER SADLI ANNOUNCED THAT US HAS REPLACED JAPAN AS INDONESIA'S NO. 1 CUSTOMER FOR CRUDE. THERE IS PRIVATE CONCERN, HOWEVER, ABOUT IMPACT OPEC'S JULY FIVE PERCENT PRICE INCREASE MIGHT HAVE ON COMPETITIVENESS INDONESIAN OIL. THIS HAS GIVEN RISE TO UNCONFIRMED REPORTS THAT GOI MAY JOIN VENEZUELA IN EFFORT ARRANGE OPEC PRICE COMPROMISE. END SUMMARY.

2. INDONESIAN CRUDE OIL PRODUCTION CONTINUES TO CLIMB. ACCORDING TO MINES MINISTER SADLI, OUTPUT IN MARCH STOOD AT 1.72 MILLION B/D, SIGNIFICANT INCREASE OVER FEBRUARY'S RECORD LEVEL OF 1.69 MILLION B/D. LATEST FIGURES REPRESENT 15 PERCENT IMPROVEMENT OVER 1976 AVERAGE WHICH WAS 1.50 MILLION BD AND ARE WELL ABOVE OIL AND GAS DIRECTORATE (MIGAS) 1977 PRODUCTION TARGET OF 1.58 MILLION B/D. THESE LEVELS OF PRODUCTION PUSH INDONESIA CLOSER TO ITS TOTAL PRODUCTIVE CAPACITY WHICH NOW IS APPROXIMATELY 1.80 MILLION B/D.

3. SURGE IN OUTPUT BY FRENCH TOTAL ACCOUNTS FOR BULK OF INCREASE. COMPLETION NEW STORAGE AND LOADING FACILITIES AT COMPANY'S EAST KALIMANTAN OPERATION ENABLED PRODUCTION JUMP FROM 108,000 IN DECEMBER 1976 TO PRESENT LEVEL OF NEARLY 240,000 B/D. OTHER MAJOR PRODUCTION-SHARING COMPANIES REMAINED RELATIVELY LEVEL. CALTEX, COUNTRY'S LARGEST PRODUCER, REGISTERED ACTUAL DIP IN PRODUCTION TO 820,000 B/D. PERTAMINA ITSELF ALSO EXPERIENCED DROP TO 84,000. LATTER HAS SHOWN STEADY DECREASE IN PRUDUCTION

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SINCE 1974 WHEN OUTPUT AVERAGED 110,000 B/D. PART OF THIS DUE TO LACK NEW INVESTMENT CAPITAL FOR EXPLORATION AS RESULT COMPANY'S FINANCIAL CRUNCH OF PAST TWO YEARS.

4. ONLY OTHER SIGNIFICANT NEW PRODUCTION EXPECTED DURING 1977 IS BY PHILLIPS WHICH WILL START WITH ABOUT 40,000 B/D FROM ITS TELUK BERAU BLOCK IN IRIAN JAYA. MOBIL SHOULD BEGIN CONDENSATE PRODUCTION OF ABOUT 12,000 B/D LATER THIS YEAR. MANY COMPANIES, HOWEVER, COULD BEGIN EXPERIENCE SOME DROP-OFF IN THEIR PRODUCTION LATE THIS YEAR OR IN EARLY NEXT YEAR DEPENDING ON WHETHER THEY RESUME DRILLING. IN LIGHT OF POOR RESPONSE TO NEW PERTAMINA INCENTIVES PACKAGE PLUS UNCERTAINTY ABOUT IRS SITUATIION, SOME COMPANIES ALREADY REPORT PLACING HOLD ON ANY MAJOR SPENDING FOR 1978 PROGRAMS, UNLESS PRESENT UNCERTAINTY CLEARS UP.

5. PERFORMANCE OF INDONESIAN CRUDE EXPORTS REFLECTS RISING OUTPUT. LATEST MIGAS FIGURES FOR BEFRUARY SHOW TOTAL

CRUDE EXPORTS OF 1.30 MILLION B/D, SIX PERCENT INCREASE OVER 1976  
AVERAGE OF 1.23 MILLION B/D. UPSWING DUE COLD  
WEATHER IN JAPAN AND US WHICH IS MANIFESTED BY INCREASE IN  
EXPORTS OF RESIDUAL FUEL OIL (LSWR), PARTICULARLY TO  
JAPANESE CUSTOMERS. LSWR EXPORTS TO JAPAN AMOUNTED TO  
105,000 B/D IN FEBRUARY, UP NEARLY 30 PERCENT SINCE  
BEGINNING OF YEAR. TOTAL INDDONESIAN CRUDE EXPORTS TO  
JAPAN AVERAGED 534,000 B/D IN 1976, NINE PERCENT OVER  
1975 BUT STILL FAR BELOW RECORD LEVEL OF 1973. FAR EAST  
OIL AND JAPAN-INDONESIAN OIL HAVE SIGNED 1977 CONTRACTS  
CALLING FOR DELIVERIES OF 80,000 B/D AND 47,000 B/D,  
RESPECTIVELY--APPROXIMATELY SAME LEVEL AS 1976 FIGURES.

6. INDONESIAN CRUDE EXPORTS TO US ARE REACHING NEW HIGHS.  
FEA FIGURES SHOW TOTAL EXPORTS OF 624,000 B/D FOR JANUARY  
OR SLIGHTLY UNDER HALF OF INDONESIA'S TOTAL OIL EXPORTS. THIS IS  
INCREASE OF 26 PERCENT OVER FIRST QUARTER 1976. MINES MINISTER  
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SADLI ANNOUNCED MARCH 28 THAT US HAS REPLACED  
JAPAN AS MAIN CONSUMER OF INDONESIAN CRUDE. WEST COAST  
DROUGHT WHICH HAS CAUSED DROP IN HYDROGENERATION APPEARS  
TO BE MAIN REASON FOR INCREASE. PERTAMINA SIGNED THREE  
MAJOR CRUDE DEALS IN EARLY MARCH WITH UNION PACIFIC, ADA  
RESOURCES AND LOS ANGELES FIRM, DIMA OIL, EACH FOR  
50,000 B/D. THESE CONTRACTS PLUS HEAVY LIFTINGS BY OP-  
ERATORS HAVE CAUSED PERTAMINA TO HANG "SOLD OUT" SIGN ON  
DOOR. PROSPECTIVE BUYERS BEING TOLD NO MAJOR SPOT DEALS  
WILL BE PPSISBLE UNTIL END OF SECOND QUARTER. ONE SUCH  
COMPANY ADVISED IS GULF WHICH IS PRESENTLY TRYING TO  
ARRANGE MAJOR BLENDING DEAL INCOLVING KUWAITI BURGAN  
CRUDE WITH MINAS LIGHT ON ROUGH 1:2 RATION. GULF SEEKING  
ABOUT 80,000-100,000 B/D FOR STARTERS AND WOULD BE PRE-  
PARED TAKE MORE IF AVAILABLE.

7. RECENT SALES INVOLVE MARKET OR "REALIZED" CIF PRICES  
ON 30-DAY CREDIT TERMS. NO REPORTS OF PRICE SHAVING.  
MIGAS OFFICIALS TELLS US THAT PERTAMINA BOARD OF COM-  
MISSIONERS HAS ADVISED PERTAMINA PRESIDENT HARYONO THAT  
PRICING LEVELS SEEM COMPETITIVE AND THAT NO DISCOUNTS OR  
PRICE ADJUSTMENTS APPEAR NECESSARY AT PRESENT TIME.

8. THERE IS, HOWEVER, CONCERN IN GOI OIL CIRCLES ABOUT  
NEXT SCHEDULED OPEC PRICE INCREASE IN JULY. PERTAMINA,  
WHILE NOT ADMITTING IT PUBLICLY, IS UNCERTAIN ABOUT HOW  
FIVE PERCENT RAISE WOULD AFFECT COMPETITIVENESS INDONESIAN  
OIL IN KEY MARKETS. SADLI RECENTLY TOLD SOCAL AND  
TEXACO CHARIMAN HE WAS "WORRIED" ABOUT WHAT WOULD HAPPEN  
IN JULY. MINISTER SAID "HIS NAME" WAS ON PIECE OF PAPER  
WHICH COMMITS INDONESIA TO JULY HIKE. IN THIS REGARD,

WE HEAR UNCONFIRMED REPORTS THAT INDONESIA MAY BE  
QUIETLY SUPPORTING APPARENT MEDIATION EFFORTS OF  
VENEZUELA, INCLUDING POSSIBLY JOINING MINISTER HERNANDEZ  
ON HIS VISIT TO GULF. SOURCES IN PERTAMINA AND MIGAS,  
WHILE NOT CONFIRMING THIS, INDICATE THAT THIS POSSIBILITY  
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IS AT LEAST UNDER CONSIDERATION.  
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## Message Attributes

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